



強制性公積金計劃管理局  
MANDATORY PROVIDENT FUND  
SCHEMES AUTHORITY

**CODE OF CONDUCT  
FOR  
MPF INTERMEDIARIES**

Fourth Edition

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Hong Kong

## **EFFECTIVE DATE**

This revised Code of Conduct for MPF Intermediaries will become effective on 1 November 2002, except the following sections:

<b><u>Chapter</u></b>	<b><u>Section in this revised Code</u></b>
1	2.2(a)(iv)
2	11, 12, 19.2(a), 33 and 34
4	3.3

These sections, revised or added to reflect changes due to the newly enacted Securities and Futures Ordinance and Banking (Amendment) Ordinance 2002, will come into operation on the effective date of these two Ordinances.

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## CHAPTER 1 - INTRODUCTION

### 1. Introduction

- 1.1 The Code of Conduct for MPF Intermediaries (“Code”) aims to provide guidance in respect of the minimum standards of conduct applicable to Mandatory Provident Fund (“MPF”) intermediaries (see interpretation of the term under Chapter 2) with a view to promoting good and ethical practices in MPF selling/advising business, which are conducive to the fostering of public confidence in the MPF system.
- 1.2 In addition, this Code prescribes the manner in which, in the absence of any particular consideration or circumstances, the Mandatory Provident Fund Schemes Authority (“MPFA”), the Monetary Authority (“MA”), the Insurance Authority (“IA”) (including the self-regulatory organizations of the insurance industry (“SROs”)), and the Securities and Futures Commission (“SFC”) intend to perform their functions of ensuring that all MPF intermediaries are fit and proper/suitable persons/entities in relation to the way in which they conduct the MPF selling and/or advising business.
- 1.3 This Code is complementary to the Code of Banking Practice endorsed by the Hong Kong Monetary Authority (“HKMA”); the Code of Conduct for Persons Registered with the Securities and Futures Commission, the Fund Manager Code of Conduct and the Fit and Proper Criteria issued by the SFC; the Code of Practice for the Administration of Insurance Agents approved by the IA; the Membership Regulations and Code of Conduct issued by The Hong Kong Confederation of Insurance Brokers; and the Membership Regulations issued by the Professional Insurance Brokers Association Limited.
- 1.4 This Code does not replace any legislative provisions, codes or guidelines issued by the HKMA, the IA (including the SROs), the SFC and the MPFA.
- 1.5 Provisions in this Code may be added, modified, or deleted in the light of experience as and when considered necessary by the MPF Intermediaries Regulation Coordinating Committee.
- 1.6 This Code does not have the force of law and should not be interpreted in a way that would override the provisions of any law.

### 2. Regulatory Framework

- 2.1 This Code is developed based on the decentralized approach to the regulation of MPF intermediaries. The MPFA, rather than licensing MPF intermediaries directly, relies on the existing regulatory regimes, i.e. the MA, the IA (including the SROs) and the SFC, as far as practicable for the licensing and supervision of MPF intermediaries, with the MPFA acting as the lead regulator and coordinator.

- 2.2 The MPFA, in approving an application as an approved trustee, would impose the following conditions on the approval of the trustee (pursuant to section 20(8) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“the Ordinance”):
- (a) In relation to the administration of any registered scheme by an approved trustee -
    - (i) the trustee shall take all reasonable steps in the circumstances to ensure that no person other than a registered MPF intermediary should induce or seek to induce another to become a participating employer or a member of the scheme;
    - (ii) the trustee must immediately report to the MPFA any breach of this condition of which it becomes aware;
    - (iii) in response to any breach of this condition, the MPFA may require the trustee to take such steps as the MPFA shall deem appropriate;
    - (iv) this condition does not apply to the publishing of any such inducement through advertisements or marketing materials to which the Securities and Futures Ordinance (Cap. 571) applies or to any inducement that is made outside the course of employment or without the prospect of reward for such inducement.
  - (b) The trustee must obtain undertakings from the promoters of those MPF schemes under its trusteeship. The promoter of an MPF scheme is to undertake to the trustee that it will, as far as reasonably practicable, ensure that MPF intermediaries selling/advising on the MPF scheme will comply with this Code.
- 2.3 In addition, the MPFA, in registering an MPF scheme (pursuant to section 21 or 21A of the Ordinance), would require the promoter of the scheme to provide an undertaking to the MPFA that it would only use registered MPF intermediaries to sell/advise on the scheme.
- 2.4 Under the Ordinance, the MPFA is responsible for supervising the activities of approved trustees. Being the central party to an MPF scheme, the approved trustee has a duty to use its best endeavours to supervise and exercise proper control over the persons appointed or engaged for the purposes of selling or advising on the MPF scheme (pursuant to section 43 of the Mandatory Provident Fund Schemes (General) Regulation).
- 2.5 The promoter, in turn, is responsible for monitoring and supervising the activities of MPF intermediaries appointed or engaged by the promoter for the purposes of selling or advising on the MPF scheme. Promoters breaching the undertaking would be required to rectify any deficiencies in their systems and controls. For those who fail to do so, the relevant trustee should take steps to terminate the contractual relationship with the promoter.

- 2.6 No person shall engage in selling MPF schemes or advising clients on constituent funds or underlying approved pooled investment funds of MPF schemes unless he is registered with the MPFA as an MPF intermediary.
- 2.7 To meet basic registration requirements, an applicant must be supervised by one or more of the three financial regulatory regimes – the MA, the IA and the SFC. An individual applicant must pass an MPF intermediaries examination recognized by the MPFA. In addition, the applicant must satisfy the MPFA that he is fit and proper to be registered as an MPF intermediary.
- 2.8 Generally speaking, the MPFA, in registering MPF intermediaries, is not likely to be satisfied that an applicant is a fit and proper person, if the person (whether in Hong Kong or elsewhere):
- (a) has been found by a court to have acted fraudulently or dishonestly, has been convicted of a criminal offence, or is the subject of unresolved criminal charges which are of direct relevance to fitness and properness;
  - (b) is an undischarged bankrupt, is currently subject to bankruptcy proceedings, or is a bankrupt who has recently been discharged;
  - (c) has been denied membership/registration of any professional/regulatory body due to reasons other than insufficient qualification/experience, or disqualified/censured/disciplined by any professional/regulatory body due to serious misconduct.
- 2.9 For MPF intermediaries who intend to give advice on both securities and insurance policies, they would need to comply with the licensing, registration or authorization requirements of the regulatory regimes under the SFC and the IA.
- 2.10 Upon registration with the MPFA, MPF corporate intermediaries are issued with certificates of registration and MPF individual intermediaries are issued with Mandatory Provident Fund intermediaries cards (“MPF cards”), evidencing that they are qualified to sell/advise on MPF schemes.
- 2.11 MPF cards will only be issued to MPF individual intermediaries who are sponsored by MPF corporate intermediaries.
- 2.12 There is clear identification on the MPF card indicating whether the MPF intermediary is:
- permitted to sell MPF schemes without rendering specific investment advice;
  - permitted to advise on securities;
  - permitted to advise on insurance policies; or
  - permitted to advise on securities & insurance policies.

- 2.13 A register bearing particulars of registered MPF intermediaries (“MPF intermediaries register”) is available for inspection at the office of the MPFA. Enquiries can also be made through an enquiry hotline.
- 2.14 An MPF corporate intermediary should lodge with the MPFA an annual return within the stipulated timeframe.
- 2.15 Upon registration with the MPFA, all MPF intermediaries, whether corporate or individual, are required to fulfill the requirement in respect of Continuing Professional Development as stipulated in the Guide to Continuing Professional Development for MPF Intermediaries in order to remain fit and proper to be registered as MPF intermediaries.
- 2.16 A committee (“MPF Intermediaries Regulation Coordinating Committee”), consisting of representatives from the HKMA, the IA, the SFC, the MPFA (together “four regulators”) and the Financial Services and the Treasury Bureau, is established to coordinate the regulation of MPF intermediaries. The main functions of the Committee are to define the boundaries and delineate the responsibilities of the four regulators; to help coordinate inspection and enforcement actions; to discuss risk issues; to advise on disciplinary actions; and, generally, to keep the regulatory framework under constant review.
- 2.17 To ensure compliance with the Code, the MA, the IA and the SFC will carry out routine inspection visits to MPF corporate intermediaries that are supervised by them.
- 2.18 The public will be encouraged to refer all complaints to the MPFA.
- 2.19 The IA (and the SROs), the MA and the SFC will be responsible for carrying out enforcement and disciplinary actions on MPF intermediaries supervised by them. In respect of MPF intermediaries who are employees of authorized insurers or authorized institutions, the IA and the MA will rely on the authorized insurers and the authorized institutions respectively to ensure suitability of their employees who are involved in the selling/advising activities of MPF schemes and to carry out enforcement and disciplinary actions on MPF intermediaries that are acting on their behalf.
- 2.20 All MPF intermediaries must be fit and proper to remain registered with the MPFA.

### **3. Application**

- 3.1 This Code applies to all MPF intermediaries including sole proprietorships/partnerships/limited companies (generally “corporations”) and persons acting on behalf of corporations including officers/agents/employees (generally “representatives”), regardless of which regulatory regimes they fall under.

- 3.2 This Code governs the conduct of MPF business, whether the activities are selling or advising, and whether the clients are employers, employees, self-employed persons or preserved account holders.
- 3.3 The four regulators and the SROs recognize that certain aspects of this Code may not be within the control of a representative acting on behalf of a corporation. In considering the conduct of an MPF individual intermediary in relation to this Code, the four regulators and the SROs will consider his level of responsibility within the corporation, any supervisory duties he may perform for the corporation, and the level of control or knowledge he may have concerning any failure by the corporation or persons under his supervision to follow this Code.
- 3.4 Whilst this Code attempts to delineate which provisions are applicable to a corporation and thus not applicable to a representative, it should be noted that these provisions, in many cases, may be applicable to its responsible officers as breaches of these provisions by the corporation reflect on the fitness and properness/suitability of the responsible officers who are responsible for the supervision of the selling/advising activities of the corporation.
- 3.5 The four regulators and the SROs will refer to matters set out in this Code in considering whether any corporation/representative is fit and proper/suitable to remain as an MPF intermediary.

#### **4. Effect of Breach**

- 4.1 Breach of any of the requirements of this Code will, in the absence of any extenuating circumstances, reflect adversely on the fitness and properness/suitability of the representative and/or the corporation concerned to remain as an MPF intermediary.
- 4.2 When considering an MPF intermediary's failure to comply with this Code, the four regulators and the SROs will adopt a pragmatic approach taking into account all relevant circumstances and any remedial measures implemented by the senior management of the MPF corporate intermediary.



## CHAPTER 2 - INTERPRETATION

*Unless otherwise defined, words and expressions used in this Code are as defined in the Mandatory Provident Fund Schemes Ordinance (Cap. 485) or the Mandatory Provident Fund Schemes (General) Regulation.*

1. “Appointed insurance agent” means an insurance agent appointed by an authorized insurer as an agent and registered with the Insurance Agents Registration Board of The Hong Kong Federation of Insurers.
2. “Authorized institution” means a bank, a restricted licence bank, or a deposit taking company under section 2 of the Banking Ordinance (Cap. 155).
3. “Authorized insurer” means an insurer authorized under section 8 of the Insurance Companies Ordinance (Cap. 41) or a person allowed under section 6 of the Insurance Companies Ordinance to carry on insurance business in or from Hong Kong.
4. “Authorized insurance broker” means an insurance broker who is authorized by the Insurance Authority under section 69 of the Insurance Companies Ordinance (Cap. 41); or a member of a body of insurance brokers which is approved by the Insurance Authority under section 70 of the Insurance Companies Ordinance (i.e. The Hong Kong Confederation of Insurance Brokers or the Professional Insurance Brokers Association Limited).
5. “Client” means either an employer/self-employed person/preserved account holder when subscribing for or being advised on an MPF scheme or an employee/self-employed person/preserved account holder when subscribing for or being advised on a constituent fund (including underlying approved pooled investment funds) of an MPF scheme.
6. “Complaint” means a complaint concerning the conduct of an MPF intermediary.
7. “Continuing Professional Development (“CPD”) requirement” means the compulsory requirement imposed upon all MPF intermediaries as set out in the Guide to Continuing Professional Development for MPF Intermediaries.
8. “Four regulators” means the Monetary Authority, the Insurance Authority, the Securities and Futures Commission and the Mandatory Provident Fund Schemes Authority.
9. “HKMA” means the Hong Kong Monetary Authority. The Chief Executive of the HKMA is the Monetary Authority.
10. “IA” means the Insurance Authority, an individual appointed pursuant to the Insurance Companies Ordinance (Cap. 41) to regulate and supervise the insurance industry.

11. “Licensed corporation” means a corporation which is granted a licence under section 116 of the Securities and Futures Ordinance (Cap. 571).
12. “Licensed representative” means an individual who is granted a licence under section 120 of the Securities and Futures Ordinance (Cap. 571).
13. “MA” means the Monetary Authority, an individual appointed by the Financial Secretary under Section 5A of the Exchange Fund Ordinance (Cap. 66) to assist the Financial Secretary in the performance of his functions under that Ordinance and to perform other functions as assigned.
14. “Mandatory Provident Fund intermediaries card” or “MPF card” means a card issued by the MPFA to an MPF individual intermediary evidencing that he is qualified to sell MPF schemes and/or to advise on constituent funds or underlying approved pooled investment funds of MPF schemes.
15. “Misconduct” means any failure to comply with any provision of this Code.
16. “MPF corporate intermediary” or “corporate intermediary” means a sole proprietorship/partnership/limited company that is responsible for the supervision of the selling/advising activities of MPF schemes and includes a promoter that appoints or employs MPF individual intermediaries to sell or advise on MPF schemes promoted by the promoter.
17. “MPF individual intermediary” or “individual intermediary” means an officer/employee/agent who engages in the selling/advising activities of MPF schemes.
18. “MPF intermediaries examination” means an examination designed for MPF intermediaries and recognized by the MPFA, i.e. the MPF Intermediaries Examination conducted by the Hong Kong Securities Institute or the Mandatory Provident Fund Schemes Examination conducted by the Vocational Training Council.
19. “MPF intermediaries” means persons who are engaged in:
  - (a) selling MPF schemes; or
  - (b) advising clients on constituent funds or underlying approved pooled investment funds of MPF schemes.
  - 19.1 The following qualifications should be noted:
    - (a) The term “MPF intermediary” is used in the most expansive sense, including a representative (officer/employee/agent) or a corporation (sole proprietorship/partnership/limited company).
    - (b) The term “MPF intermediary” does not include certain professionals (such as lawyers, professional accountants or actuaries) whose act of giving advice is wholly incidental to the practice of their profession.
  - 19.2 “MPF intermediaries” includes persons supervised by one or more of the following regimes:

- (a) SFC regime - as licensed corporations or licensed representatives licensed/deemed to have been licensed to carry on Type 1 (dealing in securities) and/or Type 4 (advising on securities) regulated activities or authorized institutions registered/deemed to have been registered (also known as registered institutions) to carry on those regulated activities;
  - (b) IA regime - as authorized insurers eligible to carry on long term business or their employees, authorized insurance brokers or appointed insurance agents eligible to engage in long term business, or their registered Chief Executives/registered Responsible Officers/Technical Representatives; and
  - (c) MA regime - as authorized institutions or their employees, who are involved in selling MPF schemes or advising clients on constituent funds or underlying approved pooled investment funds of MPF schemes.
20. “MPF Intermediaries Regulation Coordinating Committee” or “the Committee” means the committee established to coordinate the regulation of MPF intermediaries among the four regulators.
  21. “MPF intermediaries register” means the master list of registered MPF intermediaries which is maintained by the MPFA and open to inspection by the public.
  22. “MPF schemes” means master trust schemes, employer-sponsored schemes or industry schemes, including constituent funds and the underlying approved pooled investment funds within these schemes.
  23. “MPFA” means the Mandatory Provident Fund Schemes Authority.
  24. “Officer” means a sole proprietor in the case of a sole proprietorship, a partner in the case of a partnership, a director or a senior executive in the case of a limited company.
  25. “Ordinance” means the Mandatory Provident Fund Schemes Ordinance (Cap. 485).
  26. “Promoter” means, in relation to an MPF scheme, the company which promotes the scheme and/or rewards MPF intermediaries for selling/advising on the scheme.
  27. “Registered Chief Executive/Registered Responsible Officer” means a person who is registered as a Chief Executive of an insurance broker or as a Responsible Officer of an insurance agent with the Insurance Authority, The Hong Kong Confederation of Insurance Brokers, the Professional Insurance Brokers Association Limited or the Insurance Agents Registration Board, as appropriate.
  28. “Relevant regulator(s)” means one or more of the three regulators (the MA, the IA, or the SFC) that are involved in regulating MPF intermediaries.
  29. “Responsible officer” means an officer who is designated by an MPF corporate intermediary to be responsible for the supervision of the selling/advising activities of MPF schemes.

30. “Self-regulatory organizations of the insurance industry” or “SROs” means the self-regulatory organizations approved by the Insurance Authority, which are the Insurance Agents Registration Board under The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association Limited.
31. “SFC” means the Securities and Futures Commission.
32. “Technical Representative” means a Technical Representative of an insurance agent/broker, who is registered with the Insurance Authority, the Insurance Agents Registration Board, The Hong Kong Confederation of Insurance Brokers or the Professional Insurance Brokers Association Limited, as appropriate.
33. “Type 1 (dealing in securities) regulated activity” means the regulated activity as defined in Part 2 of Schedule 5 to the Securities and Futures Ordinance (Cap.571).
34. “Type 4 (advising on securities) regulated activity” means the regulated activity as defined in Part 2 of Schedule 5 to the Securities and Futures Ordinance (Cap.571).

## CHAPTER 3 - GENERAL PRINCIPLES

In considering whether an MPF intermediary is conducting his business properly and whether he is fit and proper/suitable to remain as an MPF intermediary, the four regulators (MPFA, MA, IA and SFC) and the SROs will be guided by the following principles for the conduct of business.

### 1. **Honesty and Fairness**

An MPF intermediary should conduct his business honestly, fairly, in good faith and with integrity at all times.

### 2. **Diligence**

In conducting his business activities, an MPF intermediary should act with due skill, care, and diligence and give advice only on those matters in which he is competent to deal with or otherwise seek advice from his senior/the relevant promoter where necessary.

### 3. **Capabilities**

An MPF intermediary should have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

### 4. **Information about Clients**

When advising clients on the selection of constituent funds, an MPF intermediary should objectively take into consideration his clients' interests, where practicable, his clients' financial situation, investment experience, risk preferences and investment objectives.

### 5. **Information for Clients**

An MPF intermediary should make adequate disclosure of relevant material information in his dealings with his clients.

### 6. **Conflicts of Interest**

An MPF intermediary should try to avoid conflicts of interest, and when they cannot be avoided, should disclose such conflicts to his clients and ensure that his clients are fairly treated.

### 7. **Client Assets**

An MPF intermediary should ensure that client assets are promptly and properly accounted for.

## **8. Compliance**

An MPF intermediary should comply with all regulatory requirements applicable to the conduct of his business activities.

## **9. Responsibility of Senior Management**

Senior management (including the responsible officer) of an MPF corporate intermediary should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the corporation. In determining where responsibility lies and the degree of responsibility of a particular individual, regard shall be had to that individual's apparent or actual authority in relation to the particular business operation, and the level of control or knowledge he may have concerning any failure by the corporation or persons under his supervision to follow this Code.

The four regulators have referred to the principles listed above in compiling the code of conduct set out in the next chapter.

## CHAPTER 4 - CODE OF CONDUCT

An MPF intermediary is expected to abide by the following provisions in conducting his business:

### 1. Honesty and Fairness

- 1.1 An MPF intermediary should ensure at all times that any representations made and information provided to clients are accurate and not misleading.
- 1.2 An MPF intermediary should not pay or offer to pay any rebate, commission or other incentives not specified in the offering document as an inducement to any prospective clients. This does not apply to incentives offered by a promoter to its clients.
- 1.3 An MPF intermediary should not make inaccurate or misleading statements about any other MPF intermediaries, trustees or service providers.
- 1.4 An MPF corporate intermediary should:
  - (a) be familiar with the Prevention of Bribery Ordinance (Cap. 201) and follow the guidance issued by the Independent Commission Against Corruption;
  - (b) maintain written guidelines, including monetary limits, about the offer and acceptance by staff members of gifts, rebates or other benefits received from clients or business contacts; and
  - (c) maintain a register of benefits received above the specified limit.
- 1.5 An MPF individual intermediary should not solicit or accept an advantage without permission of the senior management (including responsible officer) when conducting the business activities of the MPF corporate intermediary.

### 2. Diligence

- 2.1 An MPF intermediary should take all reasonable steps to carry out promptly client instructions.
- 2.2 An MPF intermediary should make every reasonable effort to ensure that his advice and recommendations are suitable to the needs and resources of his clients.
- 2.3 An MPF intermediary should give advice only on those matters in which he is competent and properly authorized to deal with or otherwise seek professional advice or advice from his senior/the relevant promoter when necessary.

### **3. Capabilities**

- 3.1 An MPF corporate intermediary should ensure at all times that any person it employs or appoints to conduct business for or with clients is fit and proper/suitable and otherwise qualified, including having passed an MPF intermediaries examination and having relevant professional training or experience, to act in the capacity so employed or appointed.
- 3.2 An MPF corporate intermediary should ensure at all times that it has adequate resources and satisfactory internal control procedures for compliance with this Code.
- 3.3 An MPF individual intermediary should ensure at all times that he would not carry on the business of advising clients on securities (including unit trusts) unless he is:
  - (a) a licensed representative licensed/deemed to have been licensed to carry on Type 1 (dealing in securities) and/or Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Cap. 571); or
  - (b) an employee of authorized institution whose name has been entered/deemed to have been entered in the Register maintained by the HKMA to carry on Type 1 (dealing in securities) and/or Type 4 (advising on securities) regulated activities.
- 3.4 An MPF intermediary should ensure at all times that he would not advise clients on insurance policies unless he is qualified under the Insurance Companies Ordinance (Cap. 41).

### **4 Information about Clients**

- 4.1 An MPF intermediary, when selling MPF schemes to employers, self-employed persons or preserved account holders, should take all reasonable steps to establish the true and full identity of each of his clients.
- 4.2 An MPF intermediary, when advising clients on the selection of constituent funds, should consider his clients' interests objectively and where practicable, his clients' financial situation, risk preference, and investment knowledge, experience and objectives relevant to the services to be provided.
- 4.3 An MPF intermediary, when making a recommendation or solicitation, should ensure the suitability of such recommendation or solicitation for that client, having regard to the information disclosed by and other circumstances relating to the client.
- 4.4 An MPF intermediary should treat all information supplied by prospective clients or clients as confidential.



## **5. Information for Clients**

- 5.1 An MPF individual intermediary, in the initial contact with clients, should identify himself with the MPF card issued by the MPFA and explain to clients what types of advice/service he can render in accordance with the conditions prescribed on the MPF card.
- 5.2 An MPF intermediary should provide clients with adequate information about the corporation he represents (including its business address) and any relevant conditions or restrictions under which he or the corporation he represents conducts his/its business.
- 5.3 An MPF intermediary should explain to clients the key features of MPF schemes offered to enable clients to compare them with other MPF schemes available in the market. Similarly, an MPF intermediary should explain to clients the key features of constituent funds offered to enable clients to compare them with other constituent funds available within an MPF scheme.
- 5.4 An MPF intermediary should provide all material information (in respect of MPF schemes/constituent funds which he sells or advises on) necessary for clients to make a well informed decision about selection of MPF schemes/constituent funds. There should be documentary proof that such material information has been provided to clients. If the final advice given to a client is not contained in the material information provided, it should be reduced to writing.
- 5.5 An MPF intermediary should provide his clients with the relevant offering documents and marketing materials when selling or advising on an MPF scheme and should only use offering documents or marketing materials provided by the promoter of the MPF scheme. The promoter should ensure that the offering documents have been authorized by the SFC and approved by the MPFA and marketing materials have been authorized by the SFC, the information contained therein is up to date, accurate and not misleading, performance claims can be verified, and that there are appropriate risk disclosures and warnings.
- 5.6 An MPF intermediary, when asked about the calibre of the investment managers involved in managing investments in respect of MPF schemes, may make reference to past performance of SFC authorized funds managed by the investment managers on a restrictive basis provided that the reference would not be false, biased, misleading or deceptive. The MPF intermediary must, as a bare minimum, explain to his clients that the SFC authorized funds and the MPF schemes are subject to different regulatory regimes, and investment restrictions and fees and expenses would likely differ. In addition, the MPF schemes may not have any track record. Therefore, the past performance records of SFC authorized funds may only serve as a general reference. No comparison should be made to the MPF schemes when quoting the performance of the SFC authorized funds. Past performance of the SFC

authorized funds and information on the MPF schemes must not appear in the same document.

- 5.7 An MPF intermediary, when selling or advising on MPF schemes which offer guarantees, should provide clients with information regarding the guarantee features, the guarantor, and the period of the guarantee if it is only for a limited period. An MPF intermediary should also advise clients on the cost of the guarantee, the dilution of performance due to the guarantee structure in place as well as the material conditions that will affect the scope or validity of the guarantee.

## **6. Conflicts of Interest**

- 6.1 An MPF intermediary, if he has a material interest in the recommended investment which gives rise to an actual or potential conflict of interest, should disclose that material interest or conflict to the client and take all reasonable steps to ensure fair treatment of the client.
- 6.2 An MPF corporate intermediary should have procedures in place to ensure that staff, who are involved in MPF selling/advising business, are aware of the requirements relating to disclosure of conflicts of interest.
- 6.3 An MPF individual intermediary, who acts as a representative for more than one corporation, should make clear to clients he is acting on behalf of which one of the corporations.

## **7. Client Assets**

- 7.1 An MPF intermediary should keep client monies/assets separable from his own monies/assets. He is not allowed to use client monies/assets for any purpose other than for the purposes of the client.
- 7.2 An MPF intermediary must not receive cash payments and must ensure all client payments (in the form of cheques) are made payable to the trustee of the MPF scheme only.

## **8. Compliance**

- 8.1 An MPF intermediary should only sell or advise on MPF schemes/constituent funds which are registered with/approved by the MPFA.
- 8.2 An MPF corporate intermediary should ensure that only those who are qualified to act as MPF intermediaries are allowed to sell/advise on MPF schemes.

- 8.3 An MPF corporate intermediary should ensure that only those that are fit and proper/suitable and competent are allowed to engage in the selling/advising activities of MPF schemes.
- 8.4 An MPF corporate intermediary should ensure that at least one responsible officer must be appointed for the supervision of its selling/advising activities on MPF schemes at all times.
- 8.5 An MPF corporate intermediary should keep a list of MPF intermediaries acting on its behalf and should, as soon as practicable, notify the MPFA of any changes.
- 8.6 An MPF individual intermediary should ensure that the MPF card is returned to the corporation he represents, and in the case of an MPF corporate intermediary, it should ensure that the “returned” MPF card is forwarded to the MPFA forthwith, when the MPF individual intermediary no longer acts on behalf of the corporation or when he is found, by the promoter/corporation/relevant regulator(s), to be no longer fit and proper/suitable to be an MPF intermediary.
- 8.7 An MPF individual intermediary, when selling/advising on MPF schemes, should only act on behalf of a corporation whose name appears on his MPF card.
- 8.8 An MPF individual intermediary, if acting on behalf of several corporations at the same time, should ensure that he obtains a new MPF card (and returns the old one) when he is no longer acting on behalf of one of the corporations whose name appears on the MPF card.
- 8.9 An MPF corporate intermediary should notify the MPFA and the relevant regulator(s) of any misconduct of any MPF intermediaries acting on its behalf that comes to its notice.
- 8.10 An MPF corporate intermediary should lodge with the MPFA an annual return within the stipulated timeframe.
- 8.11 An MPF corporate intermediary should ensure that its sponsored MPF intermediaries comply with the CPD requirement.
- 8.12 Upon expiry of the registration of an MPF individual intermediary, the MPF corporate intermediary should ensure that a new MPF card would only be distributed to its sponsored MPF individual intermediary upon receipt of the old MPF card from the intermediary unless a report from the police regarding the lost/stolen MPF card is produced.
- 8.13 An MPF corporate intermediary should maintain written procedures to comply with all relevant legislation against money laundering.

- 8.14 An MPF intermediary should not engage in prohibited business practices such as guaranteeing clients that they will make money, selling unregistered schemes, or failing to bring clients' written complaints to the notice of the corporation on whose behalf he acts.
- 8.15 An MPF corporate intermediary should comply with, and implement and maintain effective measures to ensure compliance with the relevant law, rules and guidelines. These procedures should cover legal and regulatory requirements, business practices, measures to prevent abusive practices, controls and systems. Any non-compliance must be reported promptly to the MPFA and the relevant regulator(s).
- 8.16 An MPF corporate intermediary should take reasonable steps, including the establishment and maintenance of written procedures, to ensure that sufficient information is recorded and retained about its business.
- 8.17 An MPF corporate intermediary should at all times be fully responsible for the acts or omissions of his representatives in respect of the conduct of its business.

## **9. Responsibility of Senior Management**

- 9.1 Senior management (including the responsible officer) should ensure that the corporation maintains appropriate standards of conduct and has proper controls and procedures in place, and ensure that the individual intermediaries sponsored by the corporation comply with the provisions of the Code and remain fit and proper to be registered as MPF intermediaries.

## **10. Complaints**

- 10.1 An MPF intermediary should co-operate with the MPFA and the relevant regulator(s) to establish the facts in the event of a complaint concerning himself.
- 10.2 An MPF corporate intermediary should ensure that:
- (a) complaints from clients are handled in a timely and appropriate manner;
  - (b) complaints are promptly responded to by the MPF intermediary concerned, and if the complaint is not satisfactorily resolved, steps are taken to investigate the complaint by the senior officer of the subject of the complaint, or by the designated compliance officer;
  - (c) if a complaint is not remedied promptly, the client is advised of any further steps which may be available to the client under the regulatory system;
  - (d) a report is filed with the MPFA and the relevant regulator(s) of any complaints which have not been satisfactorily resolved within two

months of the receipt of the complaints and that the MPFA and the relevant regulator(s) are kept informed of progress of these unresolved complaints;

- (e) the MPFA and the relevant regulator(s) are informed immediately of any complaints of a serious nature, such as misappropriation of client funds or forgery of client documents; and
- (f) all complaints are fully documented and a register of complaints is maintained.

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